



GENERAL MILLS, INC.

General Mills, Inc.

Chamber of Commerce Building

EXECUTIVE OFFICES

James F. Bell

Minneapolis, Minn.

December 8, 1942

Gentlemen:

We have now completed an examination of the new Revenue Act of 1942 and find that it contains no provisions substantially affecting the net income disclosed in the Preliminary Fourteenth Annual Report dated July 31, 1942, which was sent to you some time ago. We are therefore happy to inform you that the net income, the Balance Sheet, and the other information contained in the Preliminary Report, which was so labeled because of this uncertainty, can now be considered as final.

Under these circumstances, it seems unnecessary to go to the expense of issuing a final report, and we will ask you therefore to accept the Preliminary Report of July 31, 1942, in its place. If you have mislaid your copy and would like another, we shall be very glad to forward it to you.

It is a matter of satisfaction to all of us that the results as shown are now fully substantiated.

Yours very truly,



Chairman of the Board

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PRELIMINARY

Fourteenth Annual Report

OF

GENERAL MILLS, INC.



June 1, 1941

to

May 31, 1942

The Revenue Act of 1942 now under consideration by the Congress, when adopted, may contain retro-active provisions which will affect the final net income for the year ended May 31, 1942. Inasmuch as the provisions and their effects are unknown at this date, it has been necessary to base the results of the year shown in this report on the provisions of the Revenue Act of 1941. A final report embodying the changes, if any, will be submitted after the enactment of the new Revenue Act.

(See page 14)

Board of Directors

JAMES F. BELL, *Chairman*
MINNEAPOLIS, MINN.

WALTER R. BARRY, Minneapolis
Vice President, General Mills, Inc.

CHARLES C. BOVEY, Minneapolis

HARRY A. BULLIS, Minneapolis
Executive Vice President, General Mills, Inc.

FRANKLIN M. CROSBY, Minneapolis
Vice President, General Mills, Inc.

JOHN CROSBY, Minneapolis

DONALD D. DAVIS, Minneapolis
President, General Mills, Inc.

SHIRLEY S. FORD, Minneapolis
President, Northwestern National Bank and Trust Company

FRANK F. HENRY, Buffalo

PUTNAM D. McMILLAN, Minneapolis
Vice President, General Mills, Inc.

FRANK J. MORLEY, Minneapolis
of Kingman, Cross, Morley, Cant & Taylor

HENRY S. STURGIS, New York
Vice President, The First National Bank, New York

G. TRACY VOUGHT, New York, *of White & Case*

Executive Committee

JAMES F. BELL, *Chairman*

DONALD D. DAVIS
FRANKLIN M. CROSBY

PUTNAM D. McMILLAN
HARRY A. BULLIS

FRANK J. MORLEY
JOHN CROSBY

Officers

JAMES F. BELL
DONALD D. DAVIS
HARRY A. BULLIS

Chairman of Board
President
Executive Vice President

Vice Presidents

FRANKLIN M. CROSBY
PUTNAM D. McMILLAN
LESLIE N. PERRIN
WALTER R. BARRY

FRANK B. BURKE
WILLIAM R. MORRIS
HUGH R. McLAUGHLIN

G. CULLEN THOMAS
JAMES S. HARGETT
ARTHUR M. HARTWELL
DR. E. C. WILLIAMS

SYDNEY ANDERSON, *Vice President and Secretary*
KARL E. HUMPHREY, *Vice President and Treasurer*

GORDON C. BALLHORN, *Comptroller*

Transfer Agencies

City Bank Farmers Trust Company, New York
Office of the Company, Minneapolis

Registrars

The First National Bank, New York
Northwestern National Bank and Trust Company, Minneapolis

To the Stockholders:***Report of the Chairman for the Board of Directors.***

Your directors present herewith the Annual Report of your President, Donald D. Davis, for the year ended May 31, 1942. Considering that the year just closed has been crowded with events which have upset the normal progress of the world, the results seem creditable and reflect a signal achievement on the part of management. Gross earnings before income taxes, \$8,433,111.10, as shown in detail in the statement of Consolidated Income on page 10, are the highest in the 14 years of the Company's existence and reflect the continuing progress which your management has made. The net income after taxes, \$5,135,111.10,★ compares very favorably with the preceding year, particularly when you consider the much higher rate of taxes which has been imposed upon gross earnings.

Your Board has authorized and paid dividends on preferred stock at the required rate of 5% and on common stock at the prevailing rate of \$4.00 per share.

In consonance with past policy, your directors have increased inventory valuation reserves on commodities for which no adequate hedging facilities are existent in the amount of \$1,274,014.43 as a provision against the probable declines in future prices. During the year inventory valuation reserves have been extended to include sacks and other containers. We believe that this policy is an expression of sound judgment and will meet with your approval.

Careful examination has evidenced the considerable advantage of an early liquidation through further prepayments for prior service to the retirement system which was authorized by the stockholders at their meeting on December 18, 1939. Pursuant thereto, your directors have authorized payment of \$500,000 during May, 1942, which has been charged to Earned Surplus. This payment is in addition to the regular contributions for the year in the amount of \$500,882.24, covering both current and prior service, which have been charged to earnings. After the above adjustment, the net addition to surplus for the year was \$867,530.10,★ which is slightly under 20% of net income, the basis we have previously endeavored to maintain.

More than ever your directors are keenly aware of their responsibilities to you, the owners of the business, to the employees, to the public that buys our products, and to the government in the war effort. The revenue of business as a whole must in a large measure be drawn upon to sustain the cost of conducting the war. It is essential that your Company maintain its position in this respect, and move forward in the development and the preservation of the property for an expanded peacetime service when the present world-wide struggle is over. Your management, under the direction of the President, Donald D. Davis, and the officers and staff of the Company have the complete confidence and commendation of your Board. The entire organization is working harder and longer in unceasing effort to maintain the position of the Company for even more strenuous tasks and problems that may come.

For the Board of Directors
by JAMES F. BELL, *Chairman*

July 31, 1942

★Preliminary. Note front cover.

A Review of the Year's Work by the President

With the close of another business year on May 31, it is my privilege to report to you upon the results of operations as well as upon conditions and the position of this Company which you own.

I am happy to tell you that as result of a year's work we are able to show the greatest gross earnings in the history of this Company. This means that your Company has done more business and made more profits in its operations than ever before.

On the other hand, the profits available to you are somewhat less. Income taxes have taken from the gross an amount more than double that of last year. This is quite understandable when you consider that we are now engaged in a great and costly war, the expense of which must be met by the government through a greater share in the gross earnings. Even so your dividends have remained unchanged, as shown under "The Year in Brief" on the opposite page, and the earnings on the common stock are only 17 cents★ per share less than last year.

★ Preliminary. Note front cover.

The Year in Brief

From the sale of our goods and services, we received	\$163,412,424
To run our business, pay our employees, buy materials to make our goods, and pro- vide reserves, it cost us	<u>154,979,313</u>
This left us before income taxes	8,433,111
To pay our income taxes, we set aside	<u>3,298,000★</u>
This left us a net income of	5,135,111★
Out of this, Preferred Stock- holders got	1,107,365
Our Common Stockholders got the same as last year, \$4 per share	<u>\$ 2,660,216</u>
That left us with earnings in excess of dividends paid	1,367,530★

This excess of earnings over dividends paid has been added to surplus. Of course that surplus belongs to you, the Stockholders, and represents the money you have left in the business to give the management of the Company the means to go ahead with the development of General Mills and to provide the funds for uncertain times. Out of this surplus, \$500,000 has been paid to the Retirement System, leaving a net increase in the surplus account for the year of \$867,530.

★Preliminary. Note front cover.

These results have been obtained under probably the most confused conditions in the history of the Company. We entered the year under the pressure and disruptions attending a great preparatory defense program, emerging into actual warfare during the last half of the year. In a large measure all precedent failed. We were embarking on an uncharted course, not knowing what we should meet, what restrictions, what requirements, what obligations would be imposed upon us. The picture was one of constant change.

We enjoyed the advantage of good crops, with subsequent ample supplies of raw materials, for which, indeed, the government was seeking storage space. Much of the wheat was held under government loan. Heavy movements of troops and defense supplies complicated transportation. There were uncertainties connected with getting the types of wheat needed to maintain the quality of our products and the facilities to move manufactured goods into the normal channels of distribution.

Government requisitioning of essential materials created many problems in our ability to secure and maintain adequate inventories of incidental supplies needed for the conduct of our business—such materials as bags, containers, cartons, and all the vast number of items necessary in the production of our goods, as well as the materials for the maintenance of machines and production facilities.

Then to these uncertainties were added the constantly rising level of prices, enhancing the risks inherent in certain inventories, for which no hedging facilities are available. Provisions in the form of additional inventory reserves had to be made to safeguard against the decline in prices. The present provisions of the law do not permit deductions for these reserves and we are obliged to meet the taxes on them despite the fact that it is not considered sound or proper to reflect them as earnings recorded on our books.

Public hysteria, fear of shortages, and a desire to hoard brought surges of purchasing, followed by periods of sales inactivity, all of which tended to destroy the continuity and economy of operations. Rising prices in all fields of expense and purchased services added to the difficulties of operations. Advances in transportation costs, without knowledge of what these might be, had to be provided for in forward sales and kept within the limits of competition.

War service has called several hundred of our personnel to the colors. Adjustments had to be made to accommodate these vacancies, and to adapt the business to a new order.

In addition, we have felt it our duty and obligation to convert an increasing proportion of our personnel and facilities first to the defense program and now to the war program. We are operating our considerably expanded mechanical manufacturing facilities in production of material for war twenty-four hours a day on a seven day per week basis. To achieve this has involved considerable time of our executives, engineers, and researchers, for there are, of course, technical and mechanical details and government requirements which must be met in work of this character.

May I call your attention to the fact that for the third time in the history of this Company we have closed the year with notes payable—money due to

banks and brokers for funds borrowed. This was because of higher levels of prices in general inventories and accounts receivable, as well as to the fact that we believed it more expedient, more profitable and safer to carry larger stocks of wheat against flour sales rather than hedging these sales in the futures market (See page 18). Our endeavors in the past and our hopes in the future are to liquidate our loans at the close of each year.

Despite conditions, your management is able to report substantial progress and improvement in our regular goods and services and the introduction of two new items in our package food line, Cheerioats and Betty Crocker Vegetable Noodle Soup Ingredients, both of which have in their initial stages received most encouraging acceptance.

The Company has followed at a normal rate its aggressive policy in maintaining the recognition and demand for its products through advertising, and with increasingly beneficial results. The same holds true for the maintenance of properties, provisions for depreciation, the checking of inventories, research and continuing public services, the details of which are appended to this report.

It is a pleasure to report that even under the existing circumstances the morale of the organization remains high and that adequate provisions have been made for the maintenance of our services in these critical times.

It is difficult to venture any forecasts of the future. The basic products of General Mills, Inc., continue to be essential foodstuffs. On some of these, price ceilings are already set, but the major portion remain untouched. It is probably safe to assume they will remain so as long as ceilings are not placed on farm product prices. It is not within the role of your management to venture a further prediction until national policy on this matter is settled.

However, our plans as approved by the Board of Directors look forward in an aggressive constructive way to the duties and obligations imposed upon us in supporting the Government and the cost of the war, and in equal measure the security and protection of both present and future owners of the business.

In point of profits, your management is answerable to you only on the gross which it may have earned. As to the net, that will depend upon what portions the Government finds it necessary to take as taxes from the gross. What remains is available to you. This is a circumstance over which management has no control. It rests with the people of the country.

Whatever is necessary to the winning of the war is a burden which we will all cheerfully accept. Our endeavors will be to do our best and to maintain the security of the business toward a happier day.

May I express on behalf of the entire organization the appreciation of the courageous support of the Board of Directors in both aggressive policies and increased facilities. I can assure you on behalf of every man and woman engaged in operations, that, despite increasingly difficult conditions every effort will be made to meet all expectations.

Yours very truly,
DONALD D. DAVIS, *President*

July 31, 1942

General Mills, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

As of May 31, 1942

ASSETS

Current Assets:

Cash in Banks and on Hand.....	\$ 5,036,930.61
Cash Funds segregated as required by Commodity Exchange Act.....	15,258.75
Drafts and Acceptances.....	2,753,493.68
Notes and Accounts Receivable (less Reserve \$986,531.25) ..	9,278,758.83
Advances on Grain Purchases, U. S. Navy Contracts, etc. . . .	2,235,162.61

Inventories:

Grain for milling purposes, flour and mill-feeds at market, after adjustment to market of open cash trades, unfilled flour and feed orders, etc. \$22,561,569.97

Commercial feeds, ingredients, package foods, etc., at the lower of cost or market 7,355,040.66

Bags, supplies, transit tonnage, etc., at cost..... 2,809,349.06

32,725,959.69

Less Valuation Reserves as determined by the management..... 1,650,465.63 31,075,494.06

Total Current Assets..... 50,395,098.54

Prepaid Expenses and Deferred Charges (including automotive equipment, net \$750,911.64)..... 2,112,137.81

Investments (including securities carried at \$169,595.20 deposited for State and Clearing Association requirements), Memberships, Sundry Advances (including amounts due from employees, \$26,004.95), Miscellaneous Properties, and Other Assets..... 1,499,311.58

Land, Buildings, and Equipment:

Land..... 1,782,685.57

Buildings and Equipment, less Depreciation \$19,673,789.61..... 22,828,807.87 24,611,493.44

Goodwill, Trade-marks, Trade Names, and Water Power Rights..... 1.00
\$78,618,042.37

General Mills, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

As of May 31, 1942

LIABILITIES

Current Liabilities:

Notes Payable.....	\$ 9,500,000.00
Accounts Payable (including customers' margin deposits \$15,258.75 secured by cash funds per contra).....	3,692,645.91
Savings Accounts of Officers and Employees.....	185,404.04
Accrued Local and Federal Taxes.....	4,183,371.03★
Dividend on Preferred Stock payable July 1, 1942.....	<u>276,841.25</u>
Total Current Liabilities.....	17,838,262.23★

Reserves:

For Contingencies.....	\$ 2,287,637.27
For Self-Insurance.....	1,075,883.69
For Other Purposes.....	<u>525,499.86</u>
	3,889,020.82

Capital Stock and Surplus:

Preferred Stock:

Authorized \$50,000,000.00, whereof outstanding 221,473 shares of five per cent cumulative stock (par value \$100.00 per share) redeemable at option of company at the premiums stated in the Certificate of Designation.....	22,147,300.00
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Common Stock:

Authorized 1,000,000 shares of no par value <i>Shares</i>	
675,096 Issued—Stated Value \$16,944,004.50	
10,042 Held in Treasury.....	<u>252,044.16</u>
665,054 Outstanding.....	16,691,960.34

Surplus (including amount appropriated for Common Stock repurchased and held in Treasury \$252,044.16):

Capital.....	5,398,315.25
Earned.....	<u>12,653,183.73★</u>
	56,890,759.32★

Authorized but unexpended appropriations for additions and improvements, \$267,501.06.

Contingent Liabilities—Customers' Drafts Discounted, etc., \$575,397.66.

\$78,618,042.37

G. C. BALLHORN
Comptroller

★Preliminary. Note front cover.

General Mills, Inc. and Subsidiaries

CONSOLIDATED INCOME ACCOUNT

For the Year Ended May 31, 1942

Net Sales.....		\$163,412,423.89
Cost of Sales:		
Cost of goods sold (including \$1,274,014.43 increase in Inventory Valuation Reserves) and operating charges exclusive of charges shown separately below.....	\$128,816,374.96	
Interest.....	158,690.95	
Depreciation of Plant.....	1,347,371.41	
Employees' Retirement System — Contri- butions including annual amount for prior service.....	500,882.24	
Selling, General and Administrative Expense	<u>24,189,148.61</u>	155,012,468.17
Income from Operations.....		8,399,955.72
Interest Received, \$45,044.68, and Other Miscellaneous Income, \$6,228.70, less miscellaneous deductions.....		<u>33,155.38</u>
Net Income before Federal and Dominion Income Taxes		8,433,111.10
Provision for Federal and Dominion Income Taxes (including \$276,000 for Federal Excess Profits Taxes)		<u>3,298,000.00★</u>
Net Income.....		<u>\$ 5,135,111.10★</u>

CONSOLIDATED SURPLUS ACCOUNT

For the Year Ended May 31, 1942

Earned Surplus as of May 31, 1941.....	\$ 11,785,653.63	
Net Income for year ended May 31, 1942.....	<u>5,135,111.10★</u>	
		16,920,764.73★
Deductions:		
Dividends:		
On Preferred Stock (\$5.00 per share) .. \$	1,107,365.00	
On Common Stock (\$4.00 per share) ..	<u>2,660,216.00</u>	
		3,767,581.00
Employees' Retirement System — Partial Prepayment of Contributions for Prior Service.....	<u>500,000.00</u>	4,267,581.00
Earned Surplus as of May 31, 1942.....		12,653,183.73★
Capital Surplus as of May 31, 1941, and May 31, 1942.....		<u>5,398,315.25</u>
		18,051,498.98★
Surplus, as of May 31, 1942:		
Appropriated for Common Stock Repur- chased and held in Treasury.....	252,044.16	
Unappropriated.....	<u>17,799,454.82★</u>	<u>18,051,498.98★</u>

G. C. BALLHORN

Comptroller

★Preliminary. Note front cover.

PEAT. MARWICK. MITCHELL & CO.

ACCOUNTANTS AND AUDITORS

NEW YORK

ATLANTA	MINNEAPOLIS
BOSTON	NEW ORLEANS
CHARLOTTE	NEWARK
CHICAGO	PHILADELPHIA
CLEVELAND	PITTSBURGH
DALLAS	PORTLAND
DENVER	ST. LOUIS
DETROIT	SALT LAKE CITY
HOUSTON	SAN FRANCISCO
INDIANAPOLIS	SEATTLE
KANSAS CITY	TULSA
LOS ANGELES	WASHINGTON
MEMPHIS	WORCESTER
MILWAUKEE	HAVANA, CUBA

CANADA
GREAT BRITAIN
EUROPE

NORTHWESTERN BANK BUILDING
MINNEAPOLIS

July 18, 1942

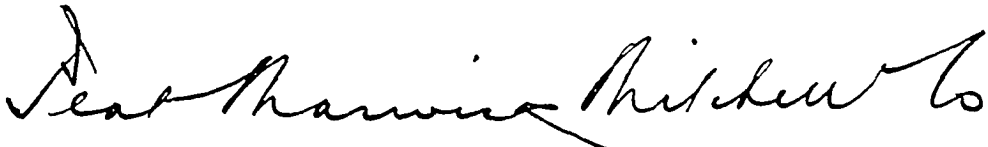
Accountants' Report

To the Stockholders and the Board of Directors
of General Mills, Inc.:

We have examined the Consolidated Balance Sheet of General Mills, Inc., and its Subsidiaries as of May 31, 1942, and the statements of Consolidated Income and Surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Provision for Federal income and excess profits taxes for the year ended May 31, 1942, has been made on the basis of the Revenue Act of 1941. The Revenue Act of 1942 may incorporate retroactive provisions applicable to Companies filing tax returns for the year ended May 31, 1942, and in that case, the provision for taxes may be inadequate.

In our opinion, subject to the foregoing explanation, the accompanying Consolidated Balance Sheet and related statements of Consolidated Income and Surplus present fairly the position of General Mills, Inc., and its Subsidiaries as of May 31, 1942, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Peat Marwick Mitchell & Co.

EARNINGS AND DIVIDENDS PER SHARE

Year Ended May 31	PREFERRED STOCK		COMMON STOCK	
	Earnings Per Share†	Dividends Paid Per Share	Earnings Per Share†	Dividends Paid Per Share
1942.....	\$23.19★	\$5.00	\$6.06★	\$4.00
1941.....	23.71	5.00	6.23	4.00
1940.....	25.46	5.75*	6.61	4.00
1939.....	28.92	6.00	7.69	3.50
1938.....	18.43	6.00	4.17	3.00
1937.....	19.29	6.00	4.46	3.00
1936.....	16.15	6.00	3.40	3.00
1935.....	18.27	6.00	4.12	3.00
1934.....	16.63	6.00	3.56	3.00
1933.....	18.33	6.00	4.13	3.00
1932.....	17.17	6.00	3.93	3.00
1931.....	16.44	6.00	3.71	3.00
1930.....	20.03	6.00	4.83	3.50
1929.....	18.86	4.50††	4.58	2.25†

†Before Surplus Adjustments.

*Represents three quarterly dividends at the annual rate of 6% and one at the annual rate of 5%.

††Initial quarterly dividend paid October 1, 1928.

†Initial quarterly dividend paid November 1, 1928.

COMPARATIVE INCOME DATA

Year Ended May 31	Sales*	Income from Operations	Miscellaneous Income—Net	Federal and Dominion Income, Excess Profits and Undistributed Profits Taxes	Consolidated Net Income†
1942	\$163,412,423.89	\$8,399,955.72	\$ 33,155.38	\$3,298,000.00★	\$5,135,111.10★
1941	126,937,773.47	6,873,575.03	18,157.96	1,640,000.00	5,251,732.99
1940	125,574,138.78	6,597,486.02	54,788.01	1,013,000.00	5,639,274.03
1939	121,943,449.46	7,885,308.96	80,917.03	1,515,000.00	6,451,225.99
1938	152,673,157.16	4,661,155.14	68,365.73	618,889.86	4,110,631.01
1937	159,980,019.59	5,642,942.19	45,124.76	1,381,602.56	4,303,389.37
1936	147,380,241.93	4,298,656.17	71,688.61	764,667.47	3,602,193.36
1935	143,074,458.89	4,844,514.37	113,657.89	878,529.83	4,075,251.22
1934	118,092,058.23	4,187,452.83	207,512.97	666,792.67	3,710,383.27
1933	83,886,335.57	4,475,798.25	333,536.87	720,038.82	4,081,654.88
1932	87,165,627.41	4,222,151.85	340,981.17	651,083.98	3,891,200.16
1931	122,746,136.32	4,274,314.91	145,853.33	546,511.77	3,869,665.87
1930	163,071,661.73	5,162,079.04	111,981.91	649,364.86	4,609,101.49
1929	123,521,014.65	4,612,575.73	120,294.31	578,083.68	4,154,786.36

*Fluctuations in the dollar value of sales chiefly reflect market conditions, and do not indicate corresponding variations in the demand for the Company's products.

†Before surplus adjustments, and after deducting, from 1930 to 1937, inclusive, portion accruing to minority stockholders in subsidiaries.

★Preliminary. Note front cover.

CONDENSED COMPARATIVE CONSOLIDATED BALANCE SHEETS

As of May 31, 1942, 1941 and 1940

	May 31, 1942	May 31, 1941	May 31, 1940
Current Assets.....	\$50,395,098.54	\$39,001,048.58	\$36,659,233.28
Current Liabilities.....	17,838,262.23★	6,417,234.18	5,427,679.12
Working Capital.....	32,556,836.31★	32,583,814.40	31,231,554.16
Prepaid Expenses and Deferred Charges.....	2,112,137.81	1,864,367.97	1,757,389.25
Employees' Retirement Fund — Segregated Cash.....	—	—	480,000.00
Investments, Memberships, Sun- dry Advances, Miscellaneous Properties, and Other Assets...	1,499,311.58	940,660.60	832,437.57
Land, Buildings, and Equipment, less Depreciation.....	24,611,493.44	24,370,030.77	24,370,286.93
Goodwill, Trade-marks, Trade Names, and Water Power Rights	1.00	1.00	1.00
Net Tangible Assets.....	<u>\$60,779,780.14★</u>	<u>\$59,758,874.74</u>	<u>\$58,671,668.91</u>
Reserves.....	\$ 3,889,020.82	\$ 3,735,645.52	\$ 3,652,591.68
Capital Stock—Preferred.....	22,147,300.00	22,147,300.00	22,147,300.00
Capital Stock—Common.....	16,691,960.34	16,691,960.34	16,691,960.34
Surplus.....	18,051,498.98★	17,183,968.88	16,179,816.89
Total Reserves, Capital, and Surplus.....	<u>\$60,779,780.14★</u>	<u>\$59,758,874.74</u>	<u>\$58,671,668.91</u>

★Preliminary. Note front cover.

FACTS ABOUT THE COMPANY

Taxes★

As previously indicated, this report is submitted in preliminary form because of the uncertainty as to Federal Income and Excess Profits Taxes payable for the year. Subsequent to the year's close, the House of Representatives, in its consideration of the Revenue Act of 1942, has proposed that certain provisions of that Act shall become effective for corporations as of January 1, 1942. This represents a departure from the requirements of recent Revenue Acts which became effective for this Company for the fiscal year beginning June 1 in the year of enactment. For example, the Revenue Act of 1941 became effective for General Mills, Inc., on June 1, 1941.

If the proposal relative to the effective date becomes law, the higher tax rates proposed in the Revenue Act of 1942 will, in effect, be applicable to the income for January 1 to May 31, 1942, thereby increasing the taxes payable. Other possible changes in the 1942 Act, assuming they become effective on January 1, 1942, may affect the taxes payable for the 1941-42 year. Inasmuch as it is impossible to compute the effect of the changes which may be made until the proposals become definite in the form of law, *this report is based on the provisions of the Revenue Act of 1941.*

Under the 1941 Act, the Company's provision for Federal and Dominion Income Taxes of \$3,298,000 for the year ended May 31, 1942, represents an increase of \$1,658,000 or double that of the previous year.

Income taxes, however, are only a part of the Company's contribution to cost of Government. During 1941-42, the charge to operations covering all direct taxes totaled \$4,986,000, an increase of \$1,907,000 or 62% over that of the previous year. In other words every stockholder contributed for taxes \$7.50 for each of his shares of common stock, as compared with \$4.63 for the year ended in 1941 and \$3.88 for the year ended in 1940.

Stockholders' Share★

Based upon the tax requirements under the 1941 Revenue Act, the earnings of the Company for the fiscal year ended May 31, 1942, were \$5,135,111.

After providing for preferred stock dividends, this net income amounted to \$6.06 per share of common stock, as compared with \$6.23 for the previous year.

During the current year, dividends at the rate of \$5 per share of preferred stock were paid. The net income for the year was equivalent to 4.64 times the dividend requirements on the present outstanding preferred stock. Dividends on common stock at the rate of \$4 per share were continued unchanged.

★Preliminary.

There was no change in the number of outstanding shares of both common and preferred stock during the year.

Approximately 2,900 women hold 23% of the common stock of the Company; 2,500 men hold 40%, and the remaining 37% is held by approximately 1,400 banks, trustees, societies, universities, institutions, etc., making a total of approximately 6,800 individual registered holders of common stock. The number of holders of preferred stock is nearly 2,800 of which one-half are women.

Not more than 3.25% of either the common or preferred stock of the Company is registered in the name of any one stockholder. The average common stock holding is approximately 100 shares.

Working Capital★

At the close of the year ended May 31, 1942, the consolidated working capital of the Company was \$32,557,000 as compared with \$32,584,000 at the close of the previous fiscal year.

Plants and Equipment

Good tools are the first essential in our work. The Company has always kept its plants and equipment in the best condition to meet any need. General Mills, Inc. has invested in land, buildings, and equipment \$24,611,493 after deducting the provision for depreciation. Additions during the past year amounted to \$1,698,287.

This included new equipment in our various package food plants and improved bag packaging facilities in the various plants of the Company. The expansion of the Mechanical Manufacturing Division, engaged in war production, entailed large amounts of new machinery and equipment.

The Company follows the policy of disposing of properties not productive and of replacing equipment to secure more effective operation. During the year, properties with a gross book value of \$732,914 were sold, demolished or otherwise retired.

Our tools wear out. They have to be replaced. Provision for depreciation for the year ended May 31, 1942, amounted to \$1,347,371.

In these times, with materials scarce, new parts for machines are hard to get. Our employees are watching their machines with greater care; are making suggestions and conserving materials.

The Research Department continues to experiment and develop new and improved processes and equipment. The physical plants of General Mills are ready to do their share in meeting national and international need.

★Preliminary.

Manufacturing and Grain Storage Facilities

As of May 31, 1942
(Approximate Maximum Capacities)

LOCATION	FLOUR MILLING DAILY CAPACITY* (Barrels)	COMMERCIAL FEEDS DAILY CAPACITY** (Tons)	PACKAGE FOODS DAILY CAPACITY** (Pounds)	GRAIN STORAGE CAPACITY (Bushels)
TOTAL CAPACITY.....	71,875	6,005	879,000	45,382,000

Manufacturing and Elevator Facilities:

Buffalo, N. Y.....	20,000	....	169,000	6,000,000
Minneapolis, Minn.....	12,250	500	.....	5,750,000
Kansas City, Mo.....	6,500	750	.....	3,867,000
Tacoma, Wash.....	5,000	380	.....	1,143,000
Chicago, Ill.....	4,550	....	417,000	2,815,000
Wichita, Kansas.....	3,650	....	.....	4,250,000
Vallejo, Calif.....	3,600	500	.....	1,000,000
Wichita Falls, Tex.....	2,800	....	.....	1,850,000
Ogden, Utah.....	2,200	360	.....	1,886,000
Oklahoma City, Okla.....	2,000	....	.....	835,000
Louisville, Ky.....	2,000	....	.....	385,000
Spokane, Wash.....	1,900	150	.....	750,000
Johnson City, Tenn.....	1,000	....	.....	200,000
Great Falls, Mont.....	1,350	....	.....	1,566,000
El Reno, Oklahoma.....	1,150	....	.....	800,000
Amarillo, Texas.....	1,050	....	.....	1,200,000
Portland, Ore.....	500	....	293,000	100,000
Kalispell, Mont.....	375	....	.....	240,000
Toledo, Ohio.....	....	2,500	.....	.....
Los Angeles, Calif.....	....	400	.....	85,000
Enid, Okla.....	....	....	.....	2,100,000
Other Points.....	....	465	.....	366,000

Country Grain Stations:

STATE	NUMBER OF STATIONS	
Washington.....	55	5,298,000
Oregon.....	3	310,000
Montana.....	37	953,000
Idaho.....	19	772,000
Texas.....	12	173,000
Oklahoma.....	14	155,000
Kansas.....	18	253,000
Utah.....	1	2,000
Minnesota.....	7	135,000
Ohio.....	8	103,000
Illinois.....	1	40,000

*Flour Capacity (including Bread Wheat, Durum Wheat, and Rye)—Basis 24-Hour Day.

**Commercial Feed and Package Foods Capacity—Basis 16-Hour Day.

Principal Products

FAMILY FLOUR

Gold Medal " <i>Kitchen-tested</i> "	Amaryllis	Humreno
Drifted Snow " <i>Home Perfected</i> "	PurAsnow	Red Band
Sperry Cake & Pastry	Red Star	La Piña
Heliotrope		Rex

BAKER'S FLOUR

Washburn's Gold Medal	Sperry Big Loaf	Softasilk Cake Flour
Gold Medal Full Strength	Crosby's Best	All Trumps
Gold Medal Superlative	King Wheat	Texoka
Sperry Special	Red Star Bakers	Iron Duke
Olympic Bakers	Rex Royal	Gold Medal Whole Wheat

OTHER SPECIAL PRODUCTS

Gold Medal Semolina	Gold Medal Rye Flours
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PACKAGE FOODS

Wheaties	Softasilk Cake Flour	Sperry Pancake & Waffle Flour
Cheerioats	Bisquick	Sperry Corn Meal
Betty Crocker Vegetable Noodle Soup Ingredients	Sperry Rolled Oats	Wheat Hearts
	Kix	

COMMERCIAL FEEDS

LARRO—GOLD MEDAL—SPERRY "SURE" BRANDS

Dairy Feeds	Pig & Hog Meal	Turkey Feeds
Cattle Fattener	Poultry Feeds	Scratch Feeds
Calf Feeds	Broiler Feeds	Dog Food
Feed Concentrates	Processed Grains	
Arpro Wheat Germ Oil	Arpro Fyvee Vitamin E Concentrate	

DIETARY FOOD SUPPLEMENTS

Embo	Merit Wheat Germ Oil	Vibic Concentrate
ARPI Viosterol in Oil	General Mills Enriched Bread Ingredient	
ARPI Concentrated Vitamin D for Fluid Milk and other Food Fortification		
Distilled Vitamin A in Natural Ester Form		

PRODUCTS OF DISTILLATION PRODUCTS, INC.

Distilled Vitamin A Esters and Crystalline Vitamin A	
Distilled Vitamin D	Crystalline Vitamin E
Vegol—Mixed Tocopherols (Vitamin E Distilled from Vegetable Oils)	
Vacuum Equipment	

Enrichment Program

White bread, known to the ancients, was once a food only for kings and the rich. As the world progressed, millers found ways to make white bread available to all. People demanded it because it tasted better. Today, with the availability of vitamins, white bread has been enriched. Still a food of the kings, it becomes a protective food as well, a food to help make this a stronger nation. The government has established a standard of enrichment requirements. The Company is cooperating fully in the National Nutrition Program. All our mill brand family flours are now enriched.

Distillation Products, Inc.

Distillation Products, Inc., a corporation jointly owned by General Mills, Inc. and the Eastman Kodak Company, has made important contributions in the field of molecular distillation. These have resulted in encouraging progress in production and sales. During the past year, Distillation Products, Inc., announced commercial production of an entirely new vitamin concentrate—Vegol, the richest known commercial source of natural Vitamin E, and developed an oil vapor jet pump which may have wide application in many industrial fields.

Special Commodities Division

This division was created during the year to replace the Research Products Division because of the increasing scope of activities in this field. During the year a commercial pilot plant for the development of industrial uses for by-products came into limited production and considerable progress was made in the conversion of these products for use in various industries.

Also, during the year a contract was secured for packaging dried eggs for the Federal Surplus Commodities Corporation for shipment in Lend-Lease.

New vitamin products Arpro Fyvee and Tenec Wheat Germ Oil Concentrates were developed for animal feeding.

Research

The Company has continued expansion of its research activities throughout the year, coordinating all phases into one department. This leads to closer cooperation between all aspects of our research program and is particularly valuable as we extend our interest to commercial fields beyond the maintenance and improvement of existing operations.

The research laboratories have continued the chemical, physical, and pilot plant investigation of foods and vitamins, making notable contributions to the enriched flour program for the benefit of the Company, government agencies, and the industry at large, to all of whom it has freely provided the results of its researches.

Investigations have been undertaken on the industrial applications of by-products, and have already reached a promising stage of pilot plant manufacturing and trials of products in the factories of potential customers. Researches are also in progress on various products other than wheat from which industrially valuable materials may be developed.

In South America, pilot plant and laboratory experiments are in progress to establish a groundwork for industrial operations there. Laboratory work to the same ends is being conducted under our direction in Rio de Janeiro.

Five research fellowships have been founded by the Company, for the study of fundamental food and nutritional problems, in various universities and under the supervision of recognized leaders in their respective fields.

Our engineering research group is active not only in cooperative pilot plant work on industrial products and on mechanical improvements in mill equipment, but also in engineering research on new mechanical devices. Some of these are of value to the war effort, and it is hoped will at the same time prepare us to utilize commercially after the war the plants in which the Company is now manufacturing equipment for the U. S. Navy.

The Industrial Market Research Department has been exploring the commercial possibilities of new products, and has made constructive surveys for the guidance of the research effort.

South America

Under the announced policy of the government for Good Neighbor relations with the South American countries, the Company has proceeded to investigate the possibilities and advantages of advisory engineering management in the development of Brazilian-owned enterprises and also to engage in research for Brazilian products for sale in the United States, with particular attention to those commodities that fall in the classification of essential materials for the war effort. The work is being carried on with full knowledge of the State Department and other agencies of the government, as well as the authorities in the various South American countries.

Farm Service Division

The Company's Farm Service Division, which is operated to extend services and to aid in the distribution of products in rural areas, was expanded during the year. Twelve new stores were opened, making a total of 121 Farm Service Stores now operated, with principal concentrations in the New England, middle Atlantic, Midwest, and Pacific Coast States, and the state of Florida.

Commercial Feeds

General Mills Commercial Feeds are helping to produce vital dairy and poultry foods. The government has requested huge increases in these essential products and increasing numbers of poultry and dairy farmers are taking advantage of General Mills feeds in their efforts to secure maximum production. These feeds are tested and approved at the General Mills Research Farm where every such feed is scientifically formulated for a specific purpose.

Advertising

Advertising is one of the important tools of our business. It acquaints the public with our products and services. Since many of our products have recently been improved nutritionally, and since practically all of our products contribute to the National Nutrition Program which is being aggressively promoted by government services and nutritionists, our advertising has taken on new significance during the past year. It is contributing not only to the sale of our products, but also to the education of the American public in ways and means to better health and strength through better eating.

Public Services

The Department of Public Services of the Company has expanded its work in consumer relations and has aided the government by preparing and distributing to the public information for civilian cooperation in the war effort. Included were booklets covering the subjects of nutrition, conservation, salvage, war bond drives, and war work instructions for women, and a series of radio programs dedicated to the American Red Cross. The Department has expanded its relations with 4-H Club leaders and members, and with women's organizations, and through these close contacts is acquainting the consuming public with our Company and its products.

Publication of "The Modern Millwheel," the Company's monthly magazine, is continued to keep stockholders and employees informed of General Mills' activities. Informal meetings in seven key cities were again conducted by James F. Bell, Chairman of the Board, and were attended by a considerable number of stockholders. Through these meetings the management of the Company has brought to stockholders and to the public the story of the year's work. The result has been a better understanding of the affairs of General Mills.

Auditing Procedure

In accordance with previous practice, the public auditors made test checks of the physical inventories by actual inspection at certain plants independently selected by them, and of receivables by communication with debtors. Their report for the year ended May 31, 1942, is based on such verifications.

Goodwill

This item continues to be valued on the Balance Sheet at \$1.00. It is a most important dollar in your business. This dollar represents the trade-marks and trade names of General Mills, Inc., the years of goodwill created by advertising and merchandising to win acceptance for our products. This dollar represents the experience of our employees, the years of work to give your Company the place it has earned in the world of public service.

Principal Sales Offices

Albany, N. Y.	Hilo, Hawaii	Raleigh, N. C.
Amarillo, Texas	Honolulu, Hawaii	Sacramento, Calif.
Atlanta, Ga.	Houston, Texas	Saint Louis, Mo.
Baltimore, Md.	Indianapolis, Ind.	Salt Lake City, Utah
Boston, Mass.	Jacksonville, Fla.	San Antonio, Texas
Buffalo, N. Y.	Johnson City, Tenn.	San Diego, Calif.
Butte, Montana	Kalispell, Mont.	San Francisco, Calif.
Charlotte, N. C.	Kansas City, Mo.	San Jose, Calif.
Chicago, Ill.	Little Rock, Ark.	San Juan, P. R.
Cincinnati, Ohio	Los Angeles, Calif.	Scranton, Pa.
Cleveland, Ohio	Louisville, Ky.	Seattle, Wash.
Columbus, Ohio	Milwaukee, Wis.	Spokane, Wash.
Dallas, Texas	Minneapolis, Minn.	Springfield, Mass.
Denver, Colorado	New York, N. Y.	Tacoma, Wash.
Des Moines, Iowa	Oakland, Calif.	Tulsa, Okla.
Detroit, Mich.	Ogden, Utah	Tyler, Texas
Eureka, Calif.	Oklahoma City, Okla.	Vallejo, Calif.
Fort Smith, Ark.	Philadelphia, Pa.	Waco, Texas
Fresno, Calif.	Pittsburgh, Pa.	Wichita, Kansas
Great Falls, Mont.	Portland, Ore.	Wichita Falls, Texas
Greensboro, N. C.	Providence, R. I.	

Divisions and Principal Trade Names of General Mills, Inc.

EASTERN DIVISION

BUFFALO, N. Y.

Principal Trade Name

Washburn Crosby Co., Buffalo, N. Y.

CENTRAL DIVISION

CHICAGO, ILL.

Principal Trade Names

Washburn Crosby Company, Chicago, Ill.

Red Star Milling Company, Wichita, Kan.

Royal Milling Company, Great Falls, Mont.

Rocky Mountain Elevator Company, Great Falls, Mont.

WESTERN DIVISION

SAN FRANCISCO, CALIF.

Principal Trade Name

Sperry Flour Company, San Francisco, Calif.

SOUTHWESTERN DIVISION

OKLAHOMA CITY, OKLA.

Principal Trade Names

Oklahoma City Mill & Elevator Company, Oklahoma City, Okla.

Wichita Mill & Elevator Company, Wichita Falls, Tex.

El Reno Mill & Elevator Co., El Reno, Okla.

Great West Mill & Elevator Company, Amarillo, Tex.

General Grain Company, Enid, Okla.

SOUTHEASTERN DIVISION

ATLANTA, GA.

Principal Trade Name

Red Band Company, Johnson City, Tenn.

LARROWE DIVISION

DETROIT, MICH.

FARM SERVICE DIVISION

MINNEAPOLIS, MINN.

STAR GRAIN DIVISION

CHICAGO, ILL.

SPECIAL COMMODITIES DIVISION

MINNEAPOLIS, MINN.

COUPON SERVICE DIVISION

MINNEAPOLIS, MINN.

MECHANICAL MANUFACTURING DIVISION

MINNEAPOLIS, MINN.

Subsidiary Companies

WASHBURN CROSBY COMPANY LIMITED

PORT COLBORNE, ONTARIO, CAN.

PACIFIC COAST ELEVATOR CO., THE

PORTLAND, ORE.

BETTY CROCKER, INC.

MINNEAPOLIS, MINN.

GENERAL MILLS, INC. DO BRASIL

MINNEAPOLIS, MINN.